

**TOWN OF MILLINOCKET  
SCHOOL DEPARTMENT**

**Financial Statements**

**For the Year Ended June 30, 2014**

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Annual Financial Report**  
**Year ended June 30, 2014**

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**Table of Contents**

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		
Financial Statements:		
Balance Sheets - Governmental Funds	1	1
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	2	2
Statement of Revenues and Expenditures - Budget and Actual - Budgetary Basis - General Fund	3	3
Statement of Fiduciary Net Position - Fiduciary Funds	4	4
Notes to Financial Statements		5-11
Required Supplementary Information		12
Combining Statements:		
	<u>Exhibits</u>	
General Fund:		
Comparative Balance Sheets	A-1	13
Statement of Revenues and Expenditures - Budget and Actual - Budgetary Basis	A-2	14-16
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	17
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	18
	<u>Schedules</u>	
Special Revenue Funds - School Categorical Programs - Schedule of Revenues, Expenditures and Changes in Fund Balances	1	19
Agency Funds - Schedule of Student Activity Funds	2	20

## Independent Auditor's Report

Millinocket School Committee  
Millinocket, Maine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Millinocket School Department as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Millinocket School Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the each major fund, and the aggregate remaining fund information of the Millinocket School Department, as of June 30, 2014, and the respective changes in financial position, thereof and the budgetary comparison for the School General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in the notes to the financial statements, the financial statements of the Millinocket School Department, are intended to present the financial position, and the changes in financial position, of only that portion of each major fund, and the aggregate remaining fund information of the Town of Millinocket, Maine that is attributable to the transactions of the Millinocket School Department. They do not purport to, and do not present fairly the financial position of the Town of Millinocket, Maine as of June 30, 2014, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Millinocket School Department's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the Town of Millinocket, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Millinocket, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Raymond Newton Ouellette". The signature is written in a cursive style with a large initial 'R'.

December 12, 2014  
South Portland, Maine

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Balance Sheets**  
**Governmental Funds**  
**June 30, 2014**  
**(with comparative totals for the year ended June 30, 2013)**

	General	School Categorical Programs	Other Nonmajor Governmental Funds	Total Governmental Funds	
				2014	2013
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	-	6,311	6,311	36,371
Receivables:					
Due from other governments	284,805	219,689	9,650	514,144	227,463
Interfund loans receivable	-	-	43,789	43,789	80,394
Inventory	-	-	12,459	12,459	10,286
<b>Total assets</b>	<b>\$ 284,805</b>	<b>219,689</b>	<b>72,209</b>	<b>576,703</b>	<b>354,514</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	73,283	1,192	192	74,667	103,928
Unearned revenue	-	41,984	-	41,984	-
Accrued wages and benefits payable	430,596	165,478	9,774	605,848	411,106
Interfund loans payable	23,617	15,149	5,023	43,789	80,394
Due to Town	208,017	-	-	208,017	201,140
<b>Total liabilities</b>	<b>735,513</b>	<b>223,803</b>	<b>14,989</b>	<b>974,305</b>	<b>796,568</b>
Fund balances (deficit):					
Nonspendable - Inventory	-	-	12,459	12,459	10,286
Restricted by grant purposes	-	29,285	19,466	48,751	62,737
Committed for capital projects	-	-	30,318	30,318	30,318
Unassigned	(450,708)	(33,399)	(5,023)	(489,130)	(545,395)
<b>Total fund balances (deficit)</b>	<b>(450,708)</b>	<b>(4,114)</b>	<b>57,220</b>	<b>(397,602)</b>	<b>(442,054)</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 284,805</b>	<b>219,689</b>	<b>72,209</b>	<b>576,703</b>	<b>354,514</b>

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2014**  
**(with comparative actual amounts for the year ended June 30, 2013)**

	General	School Categorical Programs (Schedule 1)	Other Nonmajor Governmental Funds	Total Governmental Funds	
				2014	2013
<b>Revenues:</b>					
Property tax revenue	\$ 2,970,269	-	-	2,970,269	3,200,856
Intergovernmental revenue	3,210,732	696,895	211,924	4,119,551	4,181,333
Charges for services	409,901	108,555	100,173	618,629	293,086
Other revenues	48,132	-	-	48,132	68,380
<b>Total revenues</b>	<b>6,639,034</b>	<b>805,450</b>	<b>312,097</b>	<b>7,756,581</b>	<b>7,743,655</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Regular instruction	1,798,131	-	-	1,798,131	2,179,188
Special education instruction	680,569	-	-	680,569	952,194
Career and technical services	283,116	-	-	283,116	270,803
Other instruction	193,496	-	-	193,496	209,719
Student and staff support	387,794	-	-	387,794	466,382
System administration	847,492	-	-	847,492	236,064
School administration	309,088	-	-	309,088	376,066
Transportation	275,970	-	-	275,970	312,191
Facilities maintenance	901,303	-	-	901,303	1,028,937
On-behalf payments	415,777	-	-	415,777	474,465
Program expenditures	-	815,753	6,693	822,446	783,113
Food service	-	-	333,871	333,871	339,945
Debt service	463,076	-	-	463,076	466,302
Capital outlay	75,000	-	-	75,000	-
<b>Total expenditures</b>	<b>6,630,812</b>	<b>815,753</b>	<b>340,564</b>	<b>7,787,129</b>	<b>8,095,369</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>8,222</b>	<b>(10,303)</b>	<b>(28,467)</b>	<b>(30,548)</b>	<b>(351,714)</b>
<b>Other financing sources (uses):</b>					
Capital lease proceeds	75,000	-	-	75,000	-
Transfers in	-	-	21,693	21,693	91,547
Transfers out	(21,693)	-	-	(21,693)	(91,547)
<b>Total other financing sources (uses)</b>	<b>53,307</b>	<b>-</b>	<b>21,693</b>	<b>75,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>61,529</b>	<b>(10,303)</b>	<b>(6,774)</b>	<b>44,452</b>	<b>(351,714)</b>
<b>Fund balances (deficit), beginning of year</b>	<b>(512,237)</b>	<b>6,189</b>	<b>63,994</b>	<b>(442,054)</b>	<b>(90,340)</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ (450,708)</b>	<b>(4,114)</b>	<b>57,220</b>	<b>(397,602)</b>	<b>(442,054)</b>

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Statement of Revenues and Expenditures - Budget and Actual - Budgetary Basis**  
**General Fund**  
**Year ended June 30, 2014**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Property tax revenue	\$ 2,970,269	2,970,269	2,970,269	-
Intergovernmental revenue	2,752,348	2,752,348	2,794,955	42,607
Charges for services	519,486	519,486	409,901	(109,585)
Other revenues	28,000	28,000	48,132	20,132
Total revenues	6,270,103	6,270,103	6,223,257	(46,846)
<b>Expenditures:</b>				
<b>Current:</b>				
Regular instruction	1,833,937	1,817,421	1,751,904	65,517
Special education instruction	668,201	684,717	684,717	-
Career and technical services	283,116	283,116	283,116	-
Other instruction	232,986	232,986	193,496	39,490
Student and staff support	457,868	440,169	387,794	52,375
System administration	830,247	847,946	847,946	-
School administration	300,452	300,452	297,449	3,003
Transportation	278,359	278,359	275,970	2,389
Facilities maintenance	938,826	938,826	901,303	37,523
Debt service	464,414	464,414	463,076	1,338
Total expenditures	6,288,406	6,288,406	6,086,771	201,635
Excess (deficiency) of revenues over (under) expenditures	(18,303)	(18,303)	136,486	154,789
<b>Other financing sources (uses):</b>				
Transfers out	(21,693)	(21,693)	(21,693)	-
Use of surplus	39,996	39,996	-	(39,996)
Total other financing sources	18,303	18,303	(21,693)	(39,996)
<b>Reconciliation to GAAP basis:</b>				
Change in accrued teacher summer salaries			(53,264)	
<b>Net change in fund balance - GAAP basis</b>	<b>\$</b>		<b>61,529</b>	

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

		Agency Fund School Activity Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$	83,479
<b>Total assets</b>		<b>83,479</b>
<b>LIABILITIES</b>		
Due to student groups		83,479
<b>Total liabilities</b>		<b>83,479</b>
<b>NET POSITION</b>		
Held in trust	\$	-

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Notes to Financial Statements**

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**THE REPORTING ENTITY**

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The Town of Millinocket School Department operates as a department of the Town of Millinocket, Maine, the basic financial statements of which have been issued in a separate report dated December 12, 2014 for the year ended June 30, 2014.

The accompanying financial statements present only the Millinocket School Department's operations and are not intended to present fairly the financial position and results of operations of the Town of Millinocket, Maine in conformity with accounting principles generally accepted in the United States of America. Certain disclosures relevant to both the Town of Millinocket and the Millinocket School Department are omitted herein and have been disclosed in the Town's basic financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Millinocket School Department conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

**A. Basis of Presentation**

The accounts of the Town of Millinocket School Department are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is operated and accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. School Department uses the following fund categories and fund types:

**Fund Financial Statements**

Fund financial statements report detailed information about the School. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**GOVERNMENTAL FUNDS**

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

**General Fund** is the Department's primary operating fund. It accounts for all financial resources of the School Department, except those required to be accounted for in another fund.

**School Categorical Funds** accounts for specific revenue sources that are restricted by law or committed by administrative action to expenditure for specific purposes. These funds include international student program and school grants.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one year and available to pay obligations of the current period). This includes investment earnings, state education subsidy, and tuition.

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Other revenues, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt which has not matured are recognized when paid. Allocation of costs, such as depreciation, is not recognized in the governmental funds.

- B. Budgetary Accounting** - Budgets are adopted for the School General Fund only, and are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP) except as described in the Budgetary Accounting footnote. The level of control (level at which expenditures may not exceed budget) is the warrant article. The entire School budget is considered one department and approved as such. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year.
- C. Inventory** - Inventory consists of school lunch food and supplies and is recorded at cost on the first-in, first-out basis.
- D. Fund Balance** - Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the School Department is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:
- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
  - *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
  - *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
  - *Assigned* – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
  - *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is used during the year by the School Department. All encumbrances lapse at year-end except those authorized to be carried forward. These amounts are reported as assigned fund balance. The voters at the School Department referendum meeting have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the School Department's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the School Department's practice to use committed or assigned resources first, and then unassigned resources as they are needed.

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**STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES**

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The State of Maine currently reimburses the Department for a portion of financing costs of school buildings. Continuation of such reimbursements is dependent upon continued appropriations by the State Legislature.

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**BUDGETARY ACCOUNTING**

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Through June 30, 2014, the School Department did not budget for expenditures on an accrual basis as required by accounting principles generally accepted in the United States of America (GAAP). The following is a reconciliation of the GAAP and budgetary fund balances for the School Operations Fund.

Fund balance (deficit) - June 30, 2014 - GAAP basis	\$ (450,708)
<u>Accrued teacher summer salaries</u>	<u>430,596</u>
<u><b>Fund balance (deficit), June 30, 2014 - budgetary basis</b></u>	<u><b>\$ (20,112)</b></u>

Additionally, as required by U.S. generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the Millinocket School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$415,777. These amounts have been included as an intergovernmental revenue and an education expenditure in the General Fund on Statement 2 (GAAP basis). There is no effect on the fund balance at the end of the year.

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)**

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**Maine Public Employees Retirement System - Teachers Group**

**Description of Plan** - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required to contribute the unfunded actuarial liability portion of the employer contribution rate (13.03%) and the health and benefits component (2.33%) for a total of 15.36%. This amounted to \$415,777 for the fiscal year 2014. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements (Statement 2). The School Department is required to contribute the normal cost of the employer contribution, which amounts

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Notes to Financial Statements, Continued**

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS), CONTINUED**

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to 2.65% of their compensation. The School Department is required to contribute the entire amount of the employer contribution for federally funded teachers, for which the School Department contributed 18.48%. This cost is charged to the applicable grant.

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**LONG-TERM DEBT**

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Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
General obligation bonds	\$ 3,235,534	-	365,249	2,870,285	379,259
Capital leases	31,641	75,000	15,446	91,195	28,673
Other post-employment benefits	2,638,281	797,222	605,452	2,830,051	--
Accrued compensated absences	48,686	-	10,467	38,219	-
<b>Long-term liabilities</b>	<b>\$ 5,954,142</b>	<b>872,222</b>	<b>996,614</b>	<b>5,829,750</b>	<b>407,932</b>

Bonds payable at June 30, 2014 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2014</u>
Long-term debt:					
School improvements	5/01/98	\$ 4,560,000	2018	varies	1,591,701
School boiler (1)	10/27/11	1,465,000	2026	4.45%	1,278,584
<b>Total bonds payable</b>					<b>\$ 2,870,285</b>

(1) The Town has entered into an agreement with the bank to fund the retirement of the 2011 General Obligation Bond with annual payments to a trust account. The payments deposited into the trust account are invested and it is anticipated that the earnings on deposits will fund a significant portion of the debt retirement obligation. As such, the payments made into the trust are less than what would be required under a traditional payment schedule. When the bond matures, there is the possibility that the deposits made plus the investment earnings will not be sufficient to retire the entire principal and interest obligation. In that scenario, the Town would be obligated to make a payment to retire any remaining principal or interest due. As of June 30, 2014, the value of the trust account equaled \$193,029.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2014 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 379,259	77,908	457,167
2016	394,563	62,114	456,677
2017	410,685	45,474	456,159
2018	427,670	27,943	455,613
2019	445,564	9,475	455,039
2020-2024	466,039	-	466,039
2025-2026	346,505	-	346,505
<b>Total</b>	<b>\$ 2,870,285</b>	<b>222,914</b>	<b>3,093,199</b>

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Notes to Financial Statements, Continued**

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**OBLIGATIONS UNDER CAPITAL LEASES**

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The School Department has entered into agreements to lease copiers. These leases qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of future minimum lease payments as of the date of inception.

The following items have been capitalized under capital leases as of June 30, 2014:

Copiers	\$ 159,284
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Minimum future lease payments under capital leases are:

Year ended June 30,

2015	\$ 33,460
2016	16,480
2017	16,480
2018	16,480
<u>2019</u>	<u>16,480</u>
Total minimum lease payments	99,380
<u>Less amount representing interest</u>	<u>8,185</u>
<b>Present value of future</b>	
<b><u>minimum lease payments</u></b>	<b><u>\$ 91,195</u></b>

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**RISK MANAGEMENT**

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The School Department is exposed to various risks of loss related to tort, theft of, damage to and destruction of assets, errors, omissions, and natural disasters for which the School Department either carries commercial insurance, or participates in public entity risk pools. Currently, the School Department participates in a public entity risk pool sponsored by the Maine School Management Association. Based on the coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the School Department is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2014.

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**OTHER POST EMPLOYMENT BENEFITS**

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GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The School Department contracted with an outside consultant to assist in the determination and valuation of the School Department's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in November 2014.

**Plan Descriptions** - The School Department sponsors a post-retirement benefit plan providing health insurance to retiring employees. School Department employees over the age of 55 with 20-25 years of continuous service are allowed to participate in the plan. Some retirees that are designated in a plan pay 13% to 15% of the single coverage premium and 13% to 50% of the family coverage premium while others pay nothing towards the cost of coverage. For those School Department employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Notes to Financial Statements, Continued**

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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**Funding Policy and Annual OPEB Cost** - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The School Department currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal cost	\$ 34,822	49,987	49,987
Amortization of unfunded	795,451	807,235	807,235
Adjustment to ARC	(150,367)	(132,765)	(120,295)
<u>Interest</u>	<u>117,316</u>	<u>108,807</u>	<u>100,182</u>
Annual required contribution	\$ 797,222	833,264	837,109

**Net OPEB Obligation** – The School Department’s net OPEB obligation was calculated as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPEB liability, July 1, 2013	\$ 2,638,281	2,361,313	2,080,142
Annual required contribution	797,222	833,264	837,109
<u>Less: Actual contributions</u>	<u>(605,452)</u>	<u>(556,296)</u>	<u>(555,938)</u>
OPEB liability, June 30, 2014	\$ 2,830,051	2,638,281	2,361,313

**Funding Status and Funding Progress** - The School Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2014 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 797,222	833,264	837,109
Actual contribution	605,452	556,296	555,938
Percent contributed	75.95%	66.76%	66.41%
Actuarial accrued liability	13,784,840	14,517,083	14,517,083
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 13,784,840	14,517,083	14,517,083
Covered payroll	2,582,449	2,698,118	2,597,358
Unfunded actuarial accrued liability as a percentage of covered payroll	533.79%	538.04%	558.92%

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Notes to Financial Statements, Continued**

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the School Department and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	6/30/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	28 years-closed
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 8.7%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Funding Progress**

**Retiree Healthcare Plan**

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2009	1/1/09	\$ -	18,573,382	18,573,382	0.00%	2,985,264	622.17%
2010	1/1/09	-	18,573,382	18,573,382	0.00%	2,914,869	637.19%
2011	1/1/09	-	18,573,382	18,573,382	0.00%	2,605,681	712.80%
2012	1/1/12	-	14,517,083	14,517,083	0.00%	2,597,358	558.92%
2013	1/1/12	-	14,517,083	14,517,083	0.00%	2,698,118	538.04%
2014	6/30/14	-	13,784,840	13,784,840	0.00%	2,582,449	533.79%

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Due from other governments	\$ 284,805	126,044
Interfund loans receivable	-	34,890
<b>Total assets</b>	<b>\$ 284,805</b>	<b>160,934</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	73,283	94,698
Accrued wages and benefits payable	430,596	377,333
Interfund loans payable	23,617	-
Due to Town	208,017	201,140
<b>Total liabilities</b>	<b>735,513</b>	<b>673,171</b>
Fund balance (deficit):		
Unassigned	(450,708)	(512,237)
<b>Total fund balance (deficit)</b>	<b>(450,708)</b>	<b>(512,237)</b>
<b>Total liabilities and fund balance (deficit)</b>	<b>\$ 284,805</b>	<b>160,934</b>

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**General Fund**  
**Statement of Revenues and Expenditures - Budget and Actual -**  
**Budgetary Basis**  
**Year ended June 30, 2014**  
**(with comparative actual amounts for the year ended June 30, 2013)**

	2014		Variance with final budget positive (negative)	2013 Actual
	Budget	Actual		
<b>Revenues:</b>				
Property tax revenue	\$ 2,970,269	2,970,269	-	3,200,856
<b>Intergovernmental revenue:</b>				
State education subsidy	2,734,348	2,787,911	53,563	2,747,406
Other intergovernmental revenue	18,000	7,044	(10,956)	8,056
<b>Total intergovernmental revenue</b>	<b>2,752,348</b>	<b>2,794,955</b>	<b>42,607</b>	<b>2,755,462</b>
<b>Charges for services:</b>				
Region III Rent	-	-	-	12,549
Tuition - Unorganized Territory	184,686	172,526	(12,160)	173,412
Tuition - International Program	320,800	225,635	(95,165)	-
Athletic receipts	14,000	11,740	(2,260)	11,024
<b>Total charges for services</b>	<b>519,486</b>	<b>409,901</b>	<b>(109,585)</b>	<b>196,985</b>
<b>Other revenues:</b>				
Recreational reimbursement	12,000	12,000	-	12,000
Other	16,000	36,132	20,132	48,973
<b>Total other revenues</b>	<b>28,000</b>	<b>48,132</b>	<b>20,132</b>	<b>60,973</b>
<b>Total revenues</b>	<b>6,270,103</b>	<b>6,223,257</b>	<b>(46,846)</b>	<b>6,214,276</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Administration:</b>				
Superintendent's office	214,775	234,232	(19,457)	234,452
School Board	9,531	8,263	1,268	8,865
Principal's office	300,452	297,449	3,003	305,509
<b>Total administration</b>	<b>524,758</b>	<b>539,944</b>	<b>(15,186)</b>	<b>548,826</b>

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**General Fund**  
**Statement of Revenues and Expenditures - Budget and Actual -**  
**Budgetary Basis, Continued**

	2014		Variance with final budget positive (negative)	2013 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Elementary education:				
Granite	\$ 773,064	762,745	10,319	772,812
Middle	253,789	239,582	14,207	183,845
Guidance - K-8	40,628	40,253	375	31,448
Library - Granite	11,727	11,664	63	13,448
Library - Middle	5,163	4,558	605	4,778
Total elementary education	1,084,371	1,058,802	25,569	1,006,331
Secondary education:				
Stearns High School	763,106	729,155	33,951	827,072
Guidance	126,473	117,138	9,335	121,347
Library	47,667	43,949	3,718	49,197
Total secondary education	937,246	890,242	47,004	997,616
District-wide services:				
Student assessments	-	-	-	1,680
Technology	184,633	134,768	49,865	151,417
Alternative education	-	-	-	1,115
English as a second language	43,978	20,421	23,557	18,062
Special services	25,445	23,218	2,227	160,099
Health services	41,577	35,464	6,113	81,841
Transportation	278,359	275,970	2,389	312,191
Total district-wide services	573,992	489,841	84,151	726,405

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**General Fund**  
**Statement of Revenues and Expenditures - Budget and Actual -**  
**Budgetary Basis, Continued**

	2014		Variance with final budget positive (negative)	2013 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Special education	\$ 642,606	661,393	(18,787)	754,435
Vocational education	283,116	283,116	-	270,802
Activity funds:				
Stearns	189,378	155,070	34,308	167,814
Middle	43,608	38,426	5,182	41,485
Total activity funds	232,986	193,496	39,490	209,299
Operation and maintenance of plant	938,976	901,409	37,567	969,317
Retiree health insurance	605,941	605,452	489	556,296
Debt service:				
Principal	365,249	365,249	-	359,977
Interest	99,165	97,827	1,338	106,325
Total debt service	464,414	463,076	1,338	466,302
Total expenditures	6,288,406	6,086,771	201,635	6,505,629
Excess (deficiency) of revenues over (under) expenditures	(18,303)	136,486	154,789	(291,353)
Other financing sources (uses):				
Transfers in from Medicaid	-	-	-	83,991
Transfers out	(21,693)	(21,693)	-	(7,556)
Use of surplus	39,996	-	(39,996)	-
Total other financing sources (uses)	18,303	(21,693)	(39,996)	76,435
Reconciliation to GAAP basis:				
Change in accrued teacher summer salaries		(53,264)		7,783
<b>Net change in fund balance (deficit) - GAAP basis</b>		<b>\$ 61,529</b>		<b>\$ (207,135)</b>

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

	Special Revenue Funds				Total
	School lunch	Summer Nutrition Program	Adult Education Programs	Capital Projects	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,311	-	-	-	6,311
Due from other governments	9,650	-	-	-	9,650
Inventory	12,459	-	-	-	12,459
Interfund loans receivable	13,471	-	-	30,318	43,789
<b>Total assets</b>	<b>\$ 41,891</b>	<b>-</b>	<b>-</b>	<b>30,318</b>	<b>72,209</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Interfund loans payable	-	460	4,563	-	5,023
Accounts payable	192	-	-	-	192
Accrued wages and benefits payable	9,774	-	-	-	9,774
<b>Total liabilities</b>	<b>9,966</b>	<b>460</b>	<b>4,563</b>	<b>-</b>	<b>14,989</b>
Fund balances (deficits):					
Nonspendable - Inventory	12,459	-	-	-	12,459
Restricted by grant purposes	19,466	-	-	-	19,466
Committed for capital projects	-	-	-	30,318	30,318
Unassigned	-	(460)	(4,563)	-	(5,023)
<b>Total fund balances (deficits)</b>	<b>31,925</b>	<b>(460)</b>	<b>(4,563)</b>	<b>30,318</b>	<b>57,220</b>
<b>Total liabilities and fund balances</b>	<b>\$ 41,891</b>	<b>-</b>	<b>-</b>	<b>30,318</b>	<b>72,209</b>

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2014**

	Special Revenue Funds				
	School Lunch	Summer Nutrition Program	Adult Education Programs	Capital Projects	Total
<b>Revenues:</b>					
Intergovernmental	\$ 196,056	15,868	-	-	211,924
Charges for services	100,173	-	-	-	100,173
<b>Total revenues</b>	<b>296,229</b>	<b>15,868</b>	<b>-</b>	<b>-</b>	<b>312,097</b>
<b>Expenditures:</b>					
Current:					
Program expenditures	-	-	6,693	-	6,693
Food services	317,699	16,172	-	-	333,871
<b>Total expenditures</b>	<b>317,699</b>	<b>16,172</b>	<b>6,693</b>	<b>-</b>	<b>340,564</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(21,470)</b>	<b>(304)</b>	<b>(6,693)</b>	<b>-</b>	<b>(28,467)</b>
<b>Other financing sources:</b>					
Transfer from other funds	15,000	-	6,693	-	21,693
<b>Total other financing sources</b>	<b>15,000</b>	<b>-</b>	<b>6,693</b>	<b>-</b>	<b>21,693</b>
<b>Net change in fund balances</b>	<b>(6,470)</b>	<b>(304)</b>	<b>-</b>	<b>-</b>	<b>(6,774)</b>
<b>Fund balances (deficits), beginning of year</b>	<b>38,395</b>	<b>(156)</b>	<b>(4,563)</b>	<b>30,318</b>	<b>63,994</b>
<b>Fund balances (deficits), end of year</b>	<b>\$ 31,925</b>	<b>(460)</b>	<b>(4,563)</b>	<b>30,318</b>	<b>57,220</b>

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Special Revenue Funds - School Categorical Programs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2014**

		Balance				Balance
		July 1, 2013	Revenues	Expenditures	Transfers	June 30, 2014
School categorical programs:						
200	International Student Program	\$ 24,918	108,555	119,668	-	13,805
2001	Healthy Maine Works Project	-	500	-	-	500
201	Teacher Incentive Fund	(224)	232,880	232,521	-	135
204	Butler Conserv.	(525)	-	-	-	(525)
209	Melmac	37	-	-	-	37
2232	Transition Grant	-	4,475	-	-	4,475
230	Title IA	124	255,882	255,112	-	894
247	Local Entitlement	(4,751)	141,424	144,477	-	(7,804)
251	Preschool Grant	(2,354)	4,055	4,055	-	(2,354)
264	Innovative Education	(7,893)	-	-	-	(7,893)
270	Title IIA	9,549	47,240	47,350	-	9,439
2901	REAP	(271)	10,439	10,168	-	-
650	Superintendent Office	(12,421)	-	2,402	-	(14,823)
<b>Total school categorical programs</b>		<b>\$ 6,189</b>	<b>805,450</b>	<b>815,753</b>	<b>-</b>	<b>(4,114)</b>

**TOWN OF MILLINOCKET SCHOOL DEPARTMENT**  
**Agency Funds**  
**Schedule of Student Activity Funds**  
**Year ended June 30, 2014**

	Balances beginning of year	Net activity	Balances end of year
<b>Stearns High School:</b>			
Air Conditioner	\$ 1,089	-	1,089
Athletic Donations	2,000	47	2,047
Band	6,880	(4,517)	2,363
Baseball	331	(331)	-
Boys State	620	(620)	-
Chem-Free Graduation Fund	3,884	(460)	3,424
Civil Rights Team - High School	248	5	253
Class of 2013	87	(87)	-
Class of 2014	2,168	(2,064)	104
Class of 2015	2,270	598	2,868
Class of 2016	100	1,321	1,421
Class of 2017	-	493	493
Class of 2018	-	100	100
College Fund	126	9	135
Field Hockey	2	(2)	-
Football	800	(758)	42
French Club	1,443	588	2,031
General Fund	4,486	2,403	6,889
General Fund - Athletics Gate	11,610	(3,722)	7,888
Girls Basketball	26	-	26
Honors Banquet	290	(204)	86
Junior High Student Activities	1,373	(15)	1,358
Library Book Sales	-	212	212
National Honor Society	73	(73)	-
Northern Lights Yearbook	2,296	(219)	2,077
Outing Club	957	-	957
Pepsi	2,254	(198)	2,056
Post Prom Party	4,213	(1,252)	2,961
Scholarship Fund	8,040	(1,788)	6,252
Snow Choir	532	251	783
Student Council	6,484	(579)	5,905
Sunshine Fund	210	(136)	74
Theatre/Drama	12,365	1,249	13,614
<b>Granite Street School:</b>			
General Fund	6,516	893	7,409
Community Transformation Grant	-	232	232
Grade 2 Field Trip Fund	-	296	296
Grade 6 Fund	-	500	500
Book Fair Fund	187	-	187
Nook Fund	150	-	150
Box Tops	1,862	1,643	3,505
Author's Night	894	160	1,054
Music Fund	119	44	163
Music Travel Fund	-	2,056	2,056
Pepsi Fund	631	(212)	419
<b>Total</b>	<b>\$ 87,616</b>	<b>(4,137)</b>	<b>83,479</b>